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Toronto, August 29th, 1918.

S. H. Kent, Esq. (President),
and Members of The Ontario
Municipal Association.

Mr. President and Gentlemen:—

I have been requested to address you on the subject of "Municipal Assessment."

It occurred to me that perhaps a brief reference to the methods of assessment as adopted in the earlier years from, say, the first year of incorporation of this city (1834) to the present year, with a submission of some proposed amendments to the present Act, would interest you, and I therefore submit the following:—

1834—FIRST YEAR OF INCORPORATION OF THE CITY OF TORONTO. POPULATION 9,254.

The value of the real and personal property for that year amounted to £186,496. The tax rate was fixed at three pence in the pound. The revenue from taxation thus equalled £2,331. These figures are equivalent to an assessment of $907,613; the tax rate 12 5/10 mills on the dollar; the revenue $11,345.

The very crude system, as it would now appear, of the assessment then in vogue, as provided in Chapter 7 in the 59th year of George III—1819—came into force January—1820, and which applied throughout the Province of Upper Canada.

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This Act fixed the rateable real and personal property as follows:—

"Every acre of arable, pasture, or meadow land, twenty shillings; every acre of uncultivated land, four shillings; every town lot (in York 1 acre), fifty pounds; every house built with timbers squared or hewed on two sides, one storey in height, with not more than two fire-places, thirty pounds; every additional fire-place, eight pounds; every dwelling house built of squared or flatted timber on two sides, of two storeys in height, with not more than two fire-places, thirty pounds; and for every additional fire-place, eight pounds; every framed house under two storeys in height, with not more than two fire-places, thirty-five pounds; and for every additional fire-place, five pounds; every brick or stone house of one storey and not more than two fire-places, forty pounds."

These rates increased, so that a brick or stone house of two storeys in height was rated at sixty pounds and every additional fire-place (over two) ten pounds. Grist mills were rated at one hundred and fifty pounds and over; saw mills, one hundred pounds; every merchant's shop, two hundred pounds; warehouses, two hundred pounds. Horses of the age of three years and over, eight pounds; oxen of the age of four years and upwards, four pounds; milch cows, three pounds; cattle from two to four years of age, twenty shillings; four-wheeled carriages kept for pleasure, twenty-five pounds; two-wheeled, twenty pounds; wagons kept for pleasure, fifteen pounds; provided, however, that any property, goods or effects or things herein mentioned which shall belong to or be in the actual possession or occupation of His Majesty shall not be assessable.

The assessors were required to make an annual assessment, "so that every person shall be assessed in just proportion to the list of his, her or their rateable property, real and personal, according to the rates hereinbefore specified."

"If any person or persons liable to the payment of the rates by this Act imposed shall neglect or refuse to deliver in a true list of his or her rateable property, real and personal, to the assessors, in the manner and form herein specified, or shall wilfully mis-state such rateable property, every such person or persons shall forfeit and pay a sum of money, not less than two pounds or more than five pounds for the first neglect or refusal and ten pounds for the second, to be levied by distress," etc.

Provision was made for the sale of land for unpaid taxes.

Many amendments having been made to this Act, the same was consolidated in 1853 and again in 1859. If we now advance a period of twenty-five years from the date of incorporation, we have the "Consolidated Assessment Act of Upper Canada," passed in 1859. A brief reference to the Act seems advisable, so that it may be compared with the Assessment Act, R.S.O. 1897, the latter Act being in force until the present Act, which came into operation in 1905.

Land and Personal Property were therein defined as follows:—

3. The terms "Land," "Real Property" and "Real Estate" respectively include all buildings or other things erected upon or affixed to the land, and all machinery or other things so fixed to any building as to form in law part of the realty, and all trees or underwood growing upon the land and all mines, quarries and fossils in and under the same, except mines belonging to Her Majesty.

In passing, I may say that the same definition, word for word, continued in the Statutes until the year 1903, a period of forty-four years.

4. The terms "Personal Estate" and "Personal Property" include all goods, chattels, shares in incorporated companies, money, notes, accounts and debts at their full value, and all

other property, except land and real estate and real property as above defined and except property herein expressly exempted.

Mention is not made of the word "income" in the inclusion of what is termed "Personal Estate" and "Personal Property." Income, however, was liable to assessment and a separate column in the roll so provided, although no definition of what constituted income was given.

In the assessment of income, where the same exceeded $200 per annum, the total income became assessable, "unless he has other personal property to a greater amount."

An assessment scale was provided for the assessment of personal property, beginning at $100, but where the amount did not exceed $200, the smaller sum only. From $200 to $400; from $400 to $1,000; from $1,000 to $2,000; from $2,000 to $4,000; from $4,000 to $10,000; from $10,000 to $20,000; from $20,000 to $40,000; from $40,000 to $60,000; the sums thenceforth increasing by $20,000 and which, in every case, the smaller sum became assessable.

EXEMPTIONS.

Briefly the exemptions were:—

All property vested in or held by Her Majesty or in trust for Her Majesty or for the public uses of the Province. Every place of worship, church yard or burying ground. The real estate of every University, College, Grammar School or other incorporated seminary of learning. Every public school, public hospital and the property belonging to a county, city, town, township or village. Every Industrial Farm, Poor House, Alms House, House of Industry, Lunatic Asylum and every house belonging to a company for the reformation of offenders. The property of every Public Library, Mechanics' Institute, and other public literary or scientific institutions.

The personal property and official income of the Governor of the Province, the full or half pay of anyone in any of Her Majesty's naval or military services or any pension, salary or other gratuity derived by any person from Her Majesty's Imperial Treasury. All pensions under $200 a year payable out of the public monies of this Province. The income of a farmer derived from his farm. The stock held by any person in any chartered bank or in any railroad company and all property, stocks or other securities which any party may own out of the Province. So much of the personal property of any person as is equal to the just debts owed by him, except such debts as are secured by mortgage upon his real estate or may be unpaid on account of the purchase money therefor. The net personal property of any person, provided the same be under one hundred dollars in value. The stipend of a minister of religion, as long as the same does not exceed twelve hundred dollars, and, finally, household effects, books and wearing apparel.

REAL PROPERTY—HOW ASSESSABLE.

Real property shall be estimated at its full value as it would be appraised in payment of a just debt from a solvent debtor and the yearly value of such property in cities, towns and villages shall be the real rack rent for each separate tenement, unless such rent is less than six per cent. on the full and real value thereof; in which case the property shall be assessed at the full yearly value calculated at six per cent. upon the real value.

For the year 1859, the annual value of the real and personal property and income amounted to $1,830,484, which, capitalized at 6%, produced a total actual value of $30,508,067. The rate of taxation was fixed on this valuation at 10 cents on the dollar, including school rates or 1½ mills on the dollar.

Divided the Real Property showed.....	$26,845,600
Personal Property and Income	3,662,467

Personal Property and Income thus contributing 12% of the taxes on the total assessment. The population as per census for 1861 was 45,288.

The assessment rolls were prepared and certified to in much the same manner as at present.

Every person assessable was required to give all necessary information to the assessor and, if required by the assessor, such person was to deliver to the assessor all the particulars respecting the property or income assessable against such person. For failure so to do, such person was liable to a fine of twenty dollars.

The right of appeal was given to the Court of Revision and to the County Judge on the same grounds as is provided for in the present Act.

The Act further provided for the collection of taxes and the sale of land for unpaid taxes, the details of which it is not now necessary to go into.

We now come to "The Assessment Act, R.S.O. 1897."

Real Property was defined as in 1859. The definition of Personal Property was extended and included all goods, chattels, interest on mortgages, dividends from bank stock and on shares or stocks of other incorporated companies, money, notes, accounts and debts at their actual value, income and all other property, except land and real estate and except property herein expressly exempted.

The exemptions were increased to some extent. For instance, all horses, cattle, sheep and swine, which were owned by any owner or tenant carrying on the general business of farming or grazing and all farming implements and vehicles and all hay,

grain, and other farm products being the property of the said tenant or owner were exempted from taxation.

Vessel property, such as steamboats, sailing vessels, tow barges and tugs, was exempt, but the income from such property was liable to assessment.

Rental or other income derived from real estate, except interest on mortgages. These were the chief additions to the exemption clauses, all of which property and income were liable to assessment under the Act of 1859.

The 1897 Act provides that Real and Personal Property shall be estimated at their actual cash value, as they would be appraised in payment of a just debt from a solvent debtor.

The mode of assessing personal property was set forth in Sections 35 to 46 inclusive.

For 1859 the sections were from 32 to 43, several of them remaining word for word, as in the Act of 1897. The assessment last made under this Act is as follows:—

For 1905—Real Property	$131,481,345
Personal Property	17,337,726
Total	$148,819,071

Personal Property thus contributing 11 65/100% of the general taxes, as against 12% in 1859. The population was 226,045.

THE PRESENT ASSESSMENT ACT.

BUSINESS ASSESSMENT.

Prior to the operation of the present Act, which came into force January 1st, 1905, grave and general dissatisfaction existed with the Personal Property Tax. The mercantile com-

munity opposed it, particularly the manufacturer and wholesale and retail merchants, on the ground that it was unfair, inquisitorial, inequitable and unjust. As the result of the general clamor for a change, the Ontario Government appointed a Commission on Septembtr 10th, 1900, "to enquire into and report upon the law in force relating to the different classes of property for the purposes of municipal taxation." Statistics were obtained from seventy-two municipalities in Ontario and, after much deliberation, the "Business Assessment" was brought forth. The effect of this change meant that the amount of the business assessment was representative of the amount of capital required to carry on such business or, in other words, the amount of such assessment was estimated generally to be or equivalent to the total amount of Personal Property formerly assessable. As a matter of fact, the Business Assessment for 1906 totalled $19,224,628, as against the Personal Property for 1905 of $12,386,713.

There have been attacks made against the system of business assessment, the chief argument being that it is inequitable. There is force in this but, as it seems to me, this is not a sufficient reason why the assessment now levied against businesses should be abandoned, particularly where a remedy is at hand and where such inequalities may be largely removed. It would be a serious matter to the municipality if the business assessment were removed from the Act and no substitute given. In fifteen municipalities, the loss in assessment would amount to over $95,000,000, of which Toronto would lose over $63,000,000. Then again, it must be borne in mind that this method of assessment is in accordance with the wishes of those who heretofore have strenuously objected to Personal Property being assessed.

There is much in favor of business assessment from the municipal standpoint. It is easy of application. It is not now the duty of the assessor to question the party assessable as to the amount of capital he has employed in his business

or any like question, and no one carrying on business escapes taxation and, thus, all contribute more or less to the burden of taxation.

In order to more equitably assess all those carrying on business, it is proposed that the shareholders in incorporated mercantile and manufacturing companies shall be assessed on the dividends received by them and which are now exempt under Subsection 8 of Section 10.

In Clause (f), every person carrying on business as a barrister, solicitor, physician, surgeon, dentist, engineer, surveyor, etc., is assessable first on a business assessment, and second on the income exceeding the business assessment.

In the case of banks, insurance, loan and land companies, street railway, gas, telephone and electric light companies, all are liable to a business assessment directly against such company and the dividends received against the beneficial shareholder as income, wherever such person may reside.

It would seem, therefore, that it would be only reasonable and that no injustice would be done in assessing the income or dividend derived from shares of incorporated companies, being mercantile or manufacturing.

An assessment against the shareholder who is in receipt of income from any of the companies named, as compared with the assessment on income derived from the personal earnings, is entirely favorable to the shareholder, inasmuch as the capital of the shareholder is not involved, while income from personal earnings ceases on the death or inability of the party to earn such income.

The second proposition is that where a business is carried on by a person or partnership, there shall be levied first, the business assessment, and second, the income derived from such business over and above the amount of business assessment and also the

statutory exemption on income to be allowed to the person or members of the firm. Such income would be the net income or profits derived from the business.

It will be seen that the result of the above proposed amendments, if granted, will remove an objection raised against the business assessment, viz., that the earning power of certain businesses is much in excess of other lines of business, while the business assessment in both cases varies little, if any.

Clause (f) of Section 10, above referred to, should be widened in its scope and include all those not engaged in retail, wholesale or manufacturing businesses; for instance, resident contractors, advertising sign painters, etc., not being in such case incorporated companies.

It has also been brought forward that contractors residing outside of Ontario, who have been and are engaged in large contracts, and who are not now liable to assessment, except in the slightest degree, and that is a business assessment levied on the premises occupied by them, generally for office purposes. It is difficult to reach them by the assessor and it may be necessary to employ a license fee. These contractors are only temporarily with us, but are in competition with our contractors and builders.

The same remarks apply to transient traders, who take advantage of the holiday and other seasons of the year and who escape taxation, although in competition for the time being with our merchants who contribute so largely to the expenses of the municipality.

EXEMPTIONS.

In several of the American States, the basis of exemption, as provided by the Constitution, is as follows:—

"No man or set of men are entitled to exclusive separate public emoluments or privileges but in consideration of public services."

The general provision of the Legislatures throughout the American States provides for a uniform and equal rate of assessment and taxation. It is generally agreed by authorities that perfect equality of taxation is unattainable and, while this must be admitted, yet there appear cases which, on their face, are manifestly unequal. It, therefore, appears to me that, in the exemption of private seminaries of learning, such cases are properly assessable, inasmuch as they do not appear to grant public services.

There may be reasons advanced why such institutions should be exempt. Reasons given in the past have been that to tax such seminaries of learning would result in the closing of such schools and thus extra burdens placed on the general taxpayer by reason of the municipalities having to provide additional school accommodation. It was also argued that these schools, wherever located in the Province, were the means of bringing a no small addition to the population with a considerable purchasing power, which inured to the benefit of the municipality.

My feeling is that the education now provided by the people is all that the general taxpayer should be called upon to pay for. The exemption of private seminaries of learning for the year 1918 in this municipality amounts to $2,576,489, and is ever increasing. Certain of them are able to purchase valuable properties from time to time, in order to meet the ever-growing number of pupils. One of them is shown as having real property exempt to an amount of $233,648, another $196,196.

Those who can afford to send their children to these schools can also afford to pay a slight increase in the tuition fees and which will provide the taxes properly payable by them, unless it can be proved that they are entitled to exclusive public emoluments.

In Sub-section 15, "The full pay of any officer, non-commissioned officer or private of His Majesty's Regular Army or Navy, or any pension, salary, gratuity or stipend derived by any person from His Majesty's Imperial Treasury and the income of any person in such Naval or Military Service on full pay, or otherwise in actual service." This sub-section has been construed to include the private income of such persons. This, as it would appear, should only apply to the income derived from the services for which he was engaged.

There are other suggested amendments to the Act, but which will have to be submitted later.

Before closing, I wish to say that there does not appear to be any desire on the part of the general taxpayers for any drastic reform of the present system of taxation. Our Assessment Act was and is the result of special and well considered thought and experience on the part of the Ontario Government Commission and the Special Committee on Taxation appointed by the Government. It has been in force for a period of thirteen years and comparatively few amendments have been made. It is only lately, by reason of the increased wants of the municipality, that special efforts are being made and suggested changes in the Act, by which additional revenue may be raised, and there should be no reasonable objections to these proposed changes if the same can be shown to be fair and reasonable.

In the above remarks, I am not forgetting the claim of those who contend and insist that the Act should be so amended that the improvements on land should be assessed at a lower percentage of value than land.

In my report to the City Council, November 21st, 1912, on this subject, I was obliged, after due consideration, to report against the proposition. I quote therefrom in part as follows:—

"Why should such improvements be exempt from taxation? These very buildings, whether residential or otherwise, are responsible (largely) for the present rate of taxation, rendering necessary as they do fire and police protection, schools, and, in fact, all civic services.

"If taxes are removed from improvements, the municipality will be waiving a large share of its income or, at least, will be in a very uncertain position as to its actual revenue from taxation. With land overtaxed, the city will become, in times of depression, possessed of an asset but not producing revenue."

"It seems to me, further that to exempt buildings (and improvements) from taxation is, in a measure, to drop the substance for the shadow, and from past experience it would seem to me wiser to hold what we have than to experiment with an academic question which has not been tried out. Cities which now exempt improvements can only prove the wisdom of such system after a trial of prosperity and a period of depression, and until then it does not appear advisable to make any change in the present method of assessing land and improvements."

These statements were made six years ago. Vancouver, a city of 123,900, as per census of 1911, was heralded by Single Tax Associations both here and in the United States as a shining example of the benefits derived by the municipality, through great building operations, because of the total exemptions of improvements on land. The improvements were eliminated from taxation in 1910, although the value of the improvements were shown by the assessor to be $53,515,295 and land $138,557,595.

Now take Edmonton, a city as per civic census in 1912 whose population was returned at 53,611. In this city the revenue

from general taxation was based entirely upon land values and, from many enquiries made by me, the consensus of opinion was largely in favor of the single tax.

This was also another city upon which many founded their arguments that the single tax was entirely successful, largely because of building operations claimed to be due to the single tax system.

Why is Vancouver this year assessing 25% of the value of improvements?

Why is Edmonton this year, under the amendments to its charter, assessing 60% of the improvements and, likewise, an income and a business tax.

The answer, so far as Edmonton is concerned, is shown in the following figures:—

The net assessment for Edmonton for the year 1914 (its highest point) was $191,283,970. Rate 17 5/12 mills on the dollar.

For 1917, the net assessment was $100,917,090, or a reduction of over $90,300,000. The rate 26 5/10 mills on the dollar.

Just for a moment let us see what the application of single tax means to this city.

The assessment of this city for 1918 is as follows:—

Land	$290,262,815
Building and Improvements	224,187,712
Business Assessment	63,253,254
Income	25,235,458
Total	602,939,239
At 30½ mills on the dollar	$18,341,277

If land only were taxed, it would require a tax rate of 63 2/10 mills on the dollar to produce the same result in taxes. It will be said that the reduction on the improvements will be gradual to commence with, say by 25%, but the final result must be met (while homeopathic doses are being yearly administered), and it is the result that the municipalities are concerned with. In the meantime, the population and the resultant expenses of civic administration are annually increasing, and which are to be met with by a lesser revenue due to the exemption of improvements.

There are many suggested changes and amendments, which are intended to make smoother the carrying out of the present Act and which will be submitted to the Special Committee appointed by the Ontario Government to deal with Assessment matters.

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